

VILLAGE OF SANFORD  
Midland County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2004

56-3010

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

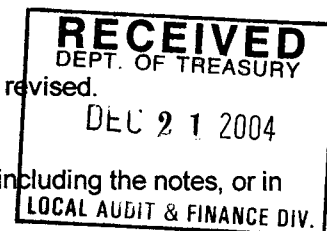
<b>Local Government Type</b> <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Village of Sanford	<b>County</b> Midland
<b>Audit Date</b> June 30, 2004	<b>Opinion Date</b> November 2, 2004	<b>Date Accountant Report Submitted to State:</b> November 2, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

VILLAGE OF SANFORD  
Midland County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Funds to the Statement Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	9
Notes to Financial Statements	10-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16
Budgetary Comparison Schedule – Major Street Fund	17
Budgetary Comparison Schedule – Local Street Fund	18
Other Supporting Information:	
General Fund Expenditures by Detailed Account	19

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

November 2, 2004

To the Village Council  
Village of Sanford  
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Sanford, Midland County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Sanford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Sanford, Midland County, Michigan as of June 30, 2004, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

VILLAGE OF SANFORD  
Midland County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

The Management's Discussion and Analysis report of the Village of Sanford covers the Village's financial performance during the year ended June 30, 2004.

FINANCIAL HIGHLIGHTS

Our financial position as a whole has improved. We took in approximately \$281,000.00 and only spent \$217,000.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities. These include the General Fund, the Major Street Fund, the Local Street Fund and the Liquor Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

VILLAGE OF SANFORD  
Midland County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2004

FUND FINANCIAL STATEMENTS (continued)

The Village has the following types of funds:

Governmental Funds: All of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, the Local Street Fund and the Liquor Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

For the fiscal year ended June 30, 2004, net assets of the Village increased by \$74,098.13 to \$804,460.90.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

For the fiscal year ended June 30, 2004, the fund balance of the General Fund decreased by \$1,809.51 to \$209,913.39, the fund balance of the Major Street Fund increased by \$24,969.51 to \$203,883.93, the fund balance of the Local Street Fund increased by \$41,057.97 to \$215,787.24 and the fund balance of the Liquor Fund increased by \$164.53 to \$523.71.

The budget was amended to correct unforeseen expenses but overall was very stable and right on target.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets:

New capital assets totaled \$22,093.00 including a fishing platform \$3,643.00, installation of playground equipment \$3,350.00, soccer field \$960.00, sledding hill and land clearing \$13,840.00, and volleyball court \$300.00.

Long-Term Debt:

Loan payable: The debt service payments for this fiscal year totaled \$14,841.72 (\$8,327.13 principal and \$6,514.59 interest).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village plans for the future are to continue to improve our community for our taxpayers in the way they direct us.

CONTACTING THE VILLAGE'S MANAGEMENT

Any questions or concerns call Linda Geiger, Village Treasurer. (989) 687-5077

VILLAGE OF SANFORD  
Midland County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	620 347 23
Due from State of Michigan	<u>13 413 48</u>
Total Current Assets	<u>633 760 71</u>
NONCURRENT ASSETS:	
Capital Assets	429 671 50
Less: Accumulated Depreciation	<u>(136 185 00)</u>
Net capital assets	293 486 50
Lease receivable	<u>119 133 87</u>
Total Noncurrent Assets	<u>412 620 37</u>
TOTAL ASSETS	<u><u>1 046 381 08</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	3 202 44
Security deposit	<u>450 00</u>
Total Current Liabilities	<u>3 652 44</u>
NONCURRENT LIABILITIES:	
Deferred revenue	119 133 87
Loan payable	<u>119 133 87</u>
Total Noncurrent Liabilities	<u>238 267 74</u>
Total Liabilities	<u>241 920 18</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	293 486 50
Unrestricted	<u>510 974 40</u>
Total Net Assets	<u>804 460 90</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 046 381 08</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SANFORD  
Midland County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants – Contributions</u>	
Governmental Activities:				
Legislative	64 040 85	-	-	(64 040 85)
General government	27 825 80	-	-	(27 825 80)
Public safety	8 991 37	4 540 00	1 454 75	(2 996 62)
Public works	51 473 64	23 859 12	85 119 64	57 505 12
Recreation and culture	48 863 12	690 00	-	(48 173 12)
Interest on long-term debt	<u>6 514 59</u>	<u>4 725 00</u>	<u>14 841 72</u>	<u>13 052 13</u>
Total Governmental Activities	<u>207 709 37</u>	<u>33 814 12</u>	<u>101 416 11</u>	<u>(72 479 14)</u>
General Revenues:				
Property taxes				43 806 97
State revenue sharing				72 608 31
Interest				9 138 14
Miscellaneous				<u>21 023 85</u>
Total General Revenues				<u>146 577 27</u>
Change in net assets				74 098 13
Net assets, beginning of year				<u>730 362 77</u>
Net Assets, End of Year				<u>804 460 90</u>

The accompanying notes are an integral part of these financial statements.



VILLAGE OF SANFORD  
Midland County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2004

<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Liquor</u>	<u>Total</u>
Cash in bank	213 565 83	194 183 08	212 074 61	523 71	620 347 23
Due from State of Michigan	-	9 700 85	3 712 63	-	13 413 48
Lease receivable	<u>119 133 87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119 133 87</u>
Total Assets	<u>332 699 70</u>	<u>203 883 93</u>	<u>215 787 24</u>	<u>523 71</u>	<u>752 894 58</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	3 202 44	-	-	-	3 202 44
Security deposits	450 00	-	-	-	450 00
Deferred revenue	<u>119 133 87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119 133 87</u>
Total liabilities	<u>122 786 31</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122 786 31</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>209 913 39</u>	<u>203 883 93</u>	<u>215 787 24</u>	<u>523 71</u>	<u>630 108 27</u>
Total fund equity	<u>209 913 39</u>	<u>203 883 93</u>	<u>215 787 24</u>	<u>523 71</u>	<u>630 108 27</u>
Total Liabilities and Fund Equity	<u>332 699 70</u>	<u>203 883 93</u>	<u>215 787 24</u>	<u>523 71</u>	<u>752 894 58</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SANFORD  
Midland County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

June 30, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUND	630 108 27
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	429 671 50
Accumulated depreciation	(136 185 00)
Long term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Loan payable	<u>(119 133 87)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>804 460 90</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SANFORD  
Midland County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS  
Year ended June 30, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Liquor</u>	<u>Total</u>
Revenues:					
Property taxes	43 806 97	-	-	-	43 806 97
Licenses and permits	4 540 00	-	-	-	4 540 00
State revenue sharing	72 608 31	61 586 01	23 533 63	1 454 75	159 182 70
Charges for services	-	-	23 859 12	-	23 859 12
Interest	4 998 20	1 645 10	2 493 26	1 58	9 138 14
Rents	20 256 72	-	-	-	20 256 72
Miscellaneous	21 023 85	-	-	-	21 023 85
Total revenues	<u>167 234 05</u>	<u>63 231 11</u>	<u>49 886 01</u>	<u>1 456 33</u>	<u>281 807 50</u>
Expenditures:					
Legislative:					
Village Council	64 040 85	-	-	-	64 040 85
General government:					
Clerk	10 714 54	-	-	-	10 714 54
Treasurer	11 603 26	-	-	-	11 603 26
Public safety:					
Liquor control	-	-	-	1 291 80	1 291 80
Building inspection	7 699 57	-	-	-	7 699 57
Public works:					
Highways and streets	-	38 261 60	8 828 04	-	47 089 64
Recreation and culture:					
Village park	38 050 12	-	-	-	38 050 12
Capital outlay	22 093 50	-	-	-	22 093 50
Debt service	14 841 72	-	-	-	14 841 72
Total expenditures	<u>169 043 56</u>	<u>38 261 60</u>	<u>8 828 04</u>	<u>1 291 80</u>	<u>217 425 00</u>
Excess (deficiency) of revenues over expenditures	(1 809 51)	24 969 51	41 057 97	164 53	64 382 50
Fund balance, July 1	<u>211 722 90</u>	<u>178 914 42</u>	<u>174 729 27</u>	<u>359 18</u>	<u>565 725 77</u>
Fund Balance, June 30	<u>209 913 39</u>	<u>203 883 93</u>	<u>215 787 24</u>	<u>523 71</u>	<u>630 108 27</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SANFORD  
Midland County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended June 30, 2004

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 64 382 50

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(20 705 00)
Capital Outlay	22 093 50

Repayment of debt principal is an expenditure in the governmental funds, the repayment  
does not have an effect in the statement of activities but does reduce the debt balance  
in the statement of net assets.

Principal payments on long-term debt	<u>8 327 13</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>74 098 13</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF SANFORD  
Midland County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Sanford, Midland County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Sanford. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF SANFORD  
Midland County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Village 2003 tax roll millage rate was 2.00 mills, and the taxable value was \$21,904,465.00.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements  
Furniture and equipment

10-30 years  
3-20 years

VILLAGE OF SANFORD  
Midland County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2003, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$293,486.50.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.

VILLAGE OF SANFORD  
Midland County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated six banks for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>620 347 23</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	534 333 77
Uninsured and Uncollateralized	<u>80 135 65</u>
Total Deposits	<u>614 469 42</u>

The Village of Sanford did not have any investments as of June 30, 2004.



VILLAGE OF SANFORD  
Midland County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 7/1/03	Additions	Deletions	Balance 6/30/04
Land	63 965 00	13 840 00	-	77 805 00
Buildings	202 225 00	-	-	202 225 00
Equipment	141 388 00	8 253 50	-	149 641 50
Total	407 578 00	22 093 50	-	429 671 50
Accumulated Depreciation	(115 480 00)	(20 705 00)	-	(136 185 00)
Net Capital Assets	292 098 00	1 388 50	-	293 486 50

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 7/1/03	Additions	Deductions	Balance 6/30/04
Building loan payable	127 461 00	-	8 327 13	119 133 87
Total	127 461 00	-	8 327 13	119 133 87

Note 6 – Building Loan Payable

On October 15, 1999, the Village obtained a loan for \$150,000.00 for the purpose of funding the purchase of a building to be used as a Water District No. 1 Office Building. The building is being paid for in sixty quarterly payments of \$3,710.43, including interest at the rate of 5.25% per annum. As of June 30, 2004, the principal balance outstanding on the building was \$119,133.87.

Note 7 – Lease Commitment

The Village constructed a building for the Midland County Water District No. 1 at a total cost of \$150,000.00.

The Village entered into a capital lease with the Authority for the sale of the building at an amount of \$150,000.00. As of June 30, 2004, the balance of the lease receivable was \$119,133.87 as was the balance of the corresponding construction loan. The principal and interest payments by the Authority for the construction loan are accounted for as revenue in the period paid. The amounts to be received from the Authority, under the lease commitment, are identical to the amounts due on the building loan payable.

Note 8 – Midland County Water District No. 1

The Village is designated as a Constituent of the Midland County Water District No. 1 (the Authority). The Authority was acquired and financed pursuant to a contract between the Township of Lincoln, the Village of Sanford and the Township of Jerome. The Authority is a public body corporate with the power to sue or be sued by the state. It is not considered a component unit of the Village.

VILLAGE OF SANFORD  
Midland County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8 – Midland County Water District No. 1 (continued)

The Authority is responsible for the general operation, maintenance and repair of the water system. The participating municipalities receive refunds of any excess funds from the Authority; however, the participating municipalities are also proportionately liable for any shortage of funds needed for general operation, maintenance and repair of the system.

Note 9 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 10 – Retirement Plan

The Village does not have a retirement plan.

Note 11 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

As of June 30, 2004, the Village had building permit revenues of \$4,540.00 and building permit expenses of \$7,699.57.

VILLAGE OF SANFORD  
Midland County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	41 000 00	41 000 00	43 806 97	2 806 97
Licenses and permits	1 400 00	1 400 00	4 540 00	3 140 00
State revenue sharing	72 000 00	67 500 00	72 608 31	5 108 31
Interest	5 000 00	4 900 00	4 998 20	98 20
Rents	5 300 00	5 225 00	20 256 72	15 031 72
Miscellaneous	550 00	415 00	21 023 85	20 608 85
Total revenues	<u>125 250 00</u>	<u>120 440 00</u>	<u>167 234 05</u>	<u>46 794 05</u>
Expenditures:				
Legislative:				
Village Council	159 130 00	65 380 00	64 040 85	(1 339 15)
General government:				
Clerk	10 962 00	11 290 00	10 714 54	(575 46)
Treasurer	11 051 00	12 770 00	11 603 26	(1 166 74)
Public safety:				
Building inspection	8 582 00	8 582 00	7 699 57	(882 43)
Recreation and culture:				
Village park	46 100 00	38 600 00	38 050 12	(549 88)
Capital outlay	40 000 00	76 750 00	22 093 50	(54 656 50)
Debt service	15 000 00	15 000 00	14 841 72	(158 28)
Total expenditures	<u>290 825 00</u>	<u>228 372 00</u>	<u>169 043 56</u>	<u>(59 328 44)</u>
Excess (deficiency) of revenues over expenditures	(165 575 00)	(107 932 00)	(1 809 51)	106 122 49
Fund balance, July 1	<u>165 575 00</u>	<u>107 932 00</u>	<u>211 722 90</u>	<u>103 790 90</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>209 913 39</u>	<u>209 913 39</u>

VILLAGE OF SANFORD  
Midland County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	48 000 00	48 000 00	61 586 01	13 586 01
Interest	<u>1 850 00</u>	<u>1 600 00</u>	<u>1 645 10</u>	<u>45 10</u>
Total revenues	<u>49 850 00</u>	<u>49 600 00</u>	<u>63 231 11</u>	<u>13 631 11</u>
Expenditures:				
Public works:				
Highways and streets	26 390 00	41 390 00	38 261 60	(3 128 40)
Capital outlay	<u>50 000 00</u>	<u>50 000 00</u>	<u>-</u>	<u>(50 000 00)</u>
Total expenditures	<u>76 390 00</u>	<u>91 390 00</u>	<u>38 261 60</u>	<u>(53 128 40)</u>
Excess (deficiency) of revenues over expenditures	(26 540 00)	(41 790 00)	24 969 51	66 759 51
Fund balance, July 1	<u>26 540 00</u>	<u>41 790 00</u>	<u>178 914 42</u>	<u>137 124 42</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>203 883 93</u>	<u>203 883 93</u>

VILLAGE OF SANFORD  
Midland County, Michigan

BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND  
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	18 000 00	18 000 00	23 533 63	5 533 63
Charges for services	22 000 00	22 000 00	23 859 12	1 859 12
Interest	3 000 00	2 750 00	2 493 26	(256 74)
Total revenues	<u>43 000 00</u>	<u>42 750 00</u>	<u>49 886 01</u>	<u>7 136 01</u>
Expenditures:				
Public works:				
Highways and streets	52 830 00	52 830 00	8 828 04	(44 001 96)
Capital outlay	<u>2 000 00</u>	<u>2 000 00</u>	<u>-</u>	<u>(2 000 00)</u>
Total expenditures	<u>54 830 00</u>	<u>54 830 00</u>	<u>8 828 04</u>	<u>(46 001 96)</u>
Excess (deficiency) of revenues over expenditures	(11 830 00)	(12 080 00)	41 057 97	53 137 97
Fund balance, July 1	<u>11 830 00</u>	<u>12 080 00</u>	<u>174 729 27</u>	<u>162 649 27</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>215 787 24</u>	<u>215 787 24</u>

VILLAGE OF SANFORD  
Midland County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2004

Village Council:	
Salary	
Fringe benefits	2 272 50
Professional services	173 91
Insurance	3 847 73
Street lights	10 455 00
Sanford Historical Society	17 213 57
Yard waste collection	2 500 00
Property taxes	1 868 88
Repairs and maintenance	2 027 10
Utilities	3 194 12
Sidewalk maintenance	3 432 22
Miscellaneous	4 260 00
	<u>12 795 82</u>
Clerk:	<u>64 040 85</u>
Salary	
Salary – deputy clerk	7 968 00
Fringe benefits	300 00
Office supplies	632 52
Transportation	986 33
Utilities	392 42
	<u>435 27</u>
Treasurer:	<u>10 714 54</u>
Salary	
Salary – deputy treasurer	8 400 00
Professional services	300 00
Fringe benefits	1 472 50
Office supplies	665 64
Printing and publishing	239 61
	<u>525 51</u>
Building inspection:	<u>11 603 26</u>
Salary	
Fringe benefits	6 720 00
Training	514 20
	<u>465 37</u>
Village park:	<u>7 699 57</u>
Salary	
Fringe benefits	25 762 50
Sanitation	1 970 74
Utilities	2 122 80
Repairs and maintenance	824 24
	<u>7 369 84</u>
Capital outlay	<u>38 050 12</u>
Debt service	<u>22 093 50</u>
Total Expenditures	<u>14 841 72</u>
	<u>169 043 56</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

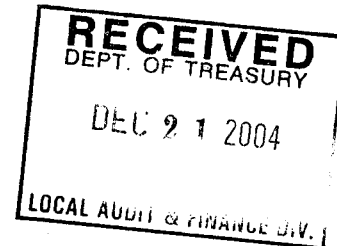
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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

November 2, 2004

To the Village Council  
Village of Sanford  
Midland County, Michigan



We have audited the financial statements of the Village of Sanford for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Sanford in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council  
Village of Sanford  
Midland County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Village of Sanford began with the year ended June 30, 2004. The daily operations and recording transactions did not change significantly, however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated June 30, 2004.



To the Village Council  
Village of Sanford  
Midland County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants